

The complaint

Mr and Mrs F complain about delays by HSB Engineering Insurance Limited dealing with a claim on their building guarantee policy.

Where I refer to HSB Engineering Insurance Limited, this includes its agents and claims handlers acting on its behalf.

What happened

Mr and Mrs F own a new-build home. They have the benefit of cover under a building guarantee policy for the property. They noted some problems with the building and in November 2023 Mr F contacted HSB about this. They are joint owners and policyholders but Mr F has dealt with the claim, so I'll mostly refer to him.

HSB dealt with the matter under the dispute resolution service provided with the policy. In March 2024 a technical report was provided. This identified some defects and recommended repairs to be done within two months.

Mr F wasn't happy with the time taken to deal with this and in December 2024 he lodged a complaint. HSB issued its final response to the complaint in January 2025. It said

- Some of the issues Mr F had complained about concerned the building control process and this was not covered by the guarantee.
- It was dealing with the warranty issues using its dispute resolution service and there were no set time limits for resolving things through that process.

When Mr F referred the complaint to this Service, our investigator said there had been unreasonable delays dealing with the matter. She recommended that HSB pay compensation of £1,000 for the distress and inconvenience caused.

HSB does not think the compensation is fair. It has offered £250. The investigator considered this but didn't change their view. So I need to make a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Some of the issues Mr F was unhappy with related to planning permission, building control, or breaches of covenants. I can't comment on those. I'm only considering the way the claim on the policy was dealt with. And I am only considering events up to 17 January 2025, when HSB sent its final response to Mr F. I'm aware the claim continued after that date but if Mr F is unhappy with anything that happened after then, he would need to make a further complaint.

The relevant industry rules and guidance say insurers must deal with claims promptly and fairly; support a policyholder to make a claim and consider if someone is in a vulnerable

situation when dealing with them; and not unreasonably reject a claim. They should settle claims promptly once settlement terms are agreed.

The policy terms set out the cover provided. These say:

3.2.1 The Underwriter will indemnify the Policyholder during the Defects Insurance Period against the cost of repairing or rectifying any Defect and resultant damage to the Home for which the Developer is responsible and which:

a) is discovered and notified in writing to the Developer during the Defects Insurance Period...

3.2.2 The Underwriter will only be liable under this section if the Developer;

*a) cannot carry out the necessary work because they have become Insolvent; or
b) has not carried out the necessary work within a reasonable time (as determined by us) of being told about the Defect or damage; and has;*

- i. not responded, within a reasonable time decided by us, to request to settle the dispute using the Dispute Resolution Service; or*
- ii. accepted the decision made through the Dispute Resolution Service but failed to carry out the work or repairs within the agreed time; or*
- iii. not accepted the final decision of the Dispute Resolution Service and failed to exercise the 'Developer's right of challenge' as detailed within section 7 of the Policy – Dispute Resolution Service and alternative options; or*
- iv. not effected the relevant repairs or works determined by the outcome of any legally binding decision.*

3.2.23 In the event of a valid claim being made under this section, the Underwriter will either (at its option) arrange to have such Defect and resultant damage to the Home corrected or pay the reasonable cost of repairing, replacing or rectifying and Defect and resultant damage to the Home.'

The effect of this is that Mr F was covered for the cost of repairing or rectifying any defect for which the developer was responsible. In the first instance, it's the developer's responsibility to deal with any repairs but if it can't do the repairs because it has become insolvent, or fails to do them within a reasonable time, then HSB becomes responsible.

HSB has the option of trying to resolve things through the dispute resolution service included with the policy, as follows:

7.1. During the Defects Insurance Period, if You tell us that the Developer has not put right any Defect and associated damage above any Excess applicable that You have reported to them, or that You are not satisfied with their response, we may choose to offer our Dispute Resolution Service which will try to bring You and the Developer together. Our Dispute Resolution Service will contact relevant parties, investigate the dispute and make a final decision which is binding on the Developer, but not on You.'

This is what HSB decided to do in this case.

There's no dispute there was an issue with some of the windows that needed to be resolved – the dispute is about whether these were dealt with in a reasonable time and, if not, who's responsible for any delays.

Our investigator said there were unreasonable delays and recommended compensation of £1,000. HSB accepted there were delays, but said Mr F was responsible for some of this and £1,000 was excessive. It has offered £250. So that's the issue I need to determine.

HSB accepted the case in late November 2023 and contacted the developer the following month. In January 2024 it agreed to rush through the technical report as Mr F said the house was extremely cold and they had two very young children.

The technical report was provided in March 2024. The repairs should have been dealt with within two months – this was set out as a reasonable timescale in that report – but that didn't happen. A site visit didn't take place until July, after which a report was received in August. There was no real progress after that until January 2025.

HSB wasn't dealing with the repairs and was relying on the developer to deal with this. And it did chase for updates. It wasn't responsible for every delay. But it was ultimately responsible for ensuring the repairs were dealt with in a reasonable time and it failed to do that. It should have ensured things were dealt with promptly after the report in March 2024, and I agree it should have given the developer a clear deadline in August 2024 for the work to be done.

HSB needed to ensure the claim was dealt with promptly. By not giving any deadline, there was no clear date for the developer to work to and things were simply left open.

In March 2024 Mr F had a reasonable expectation work would be carried out within two months, since that was recommended in the technical report. By the time HSB sent its final response letter to Mr F in January 2025 – 10 months later – it still hadn't been done. He had first made contact about the problems in November 2023, so the fact the repairs had not been done over a year later was unreasonable.

At the outset, HSB noted that the house was very cold and Mr and Mrs F had two very young children, and said it would prioritise things. HSB should have ensured it took steps to deal with the claim promptly, taking account of their vulnerable situation. This was very frustrating for Mr and Mrs F and they were worried about the effect of the living conditions on their children.

Taking into account all the circumstances I think a payment of £1,000 is fair to reflect the distress and inconvenience caused to Mr and Mrs F.

My final decision

My decision is that I uphold the complaint and direct HSB Engineering Insurance Limited to pay compensation of £1,000.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F and Mrs F to accept or reject my decision before 24 February 2026.

Peter Whiteley
Ombudsman